

LEASE AND RENTAL PROPERTY INSTRUCTIONS

1. Individual items of leased or rented equipment that meets **all** of the following criteria are exempt:
 - (a) the acquired cost of each item of personal property is less than \$15,000;
 - (b) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year;AND
 - (c) the lease of the personal property is generally on an hourly, daily, or weekly basis.
2. Lease or rental equipment that is leased or rented on an hourly, daily or weekly basis, but does not meet **all** of the above criteria should be valued using the **Lease & Rental Depreciation tables**. This property is assessed and taxed as class 8 property.
3. Lease and rental equipment that does not meet **any** of the criteria, should be valued and assessed as other like equipment.
4. Goods held for lease or rent are **not** considered business inventory.
5. When a special mobile (SM) permit, as defined in 61-1-104 MCA, is purchased for lease and rental equipment the equipment will be classified and valued the same as other SM equipment as class 8 property.

Some special lease and rental circumstances are specifically addressed and clarified in administrative rule:

Equipment that is part of a dealer lease program or dealer rental program does not qualify as inventory, **nor** leased and rental equipment. **It should be valued in the same manner as other similar equipment.** ARM 42.21.125(2)

Personal property that is for sale and owned by a dealer, but also leased or rented out is not considered inventory, **nor** leased and rental equipment. **It should be valued in the same manner as other similar equipment.** ARM 42.21.125(3)

Examples:**Original Cost \$0 - 500**

A lease / rental item (that meets all of the criteria and is therefore exempt) was acquired in 2006 for \$240. $240 \times 16\% = \$384$ **market value**
 $\$ 0$ **taxable value**

A lease / rental item (that does not meet all of the criteria and is therefore taxable) was acquired in 2006 for \$240. $240 \times 16\% = \$384$ **market value**
 $384 \times 3\% = \$ 12$ **taxable value**

Original Cost \$501 – 1,500

A lease / rental item (that meets all of the criteria and is therefore exempt) was acquired in 2004 for \$1,200. $1,200 \times 21\% = \$252$ **market value**
 $\$ 0$ **taxable value**

A lease / rental item (that does not meet all of the criteria and is therefore taxable) was acquired in 2004 for \$1,200 $1,200 \times 21\% = \$252$ **market value**
 $252 \times 3\% = \$ 8$ **taxable value**

Original Cost \$1,501 – 5,000

A lease / rental item (that meets all of the criteria and is therefore exempt) was acquired in 2001 for \$3,900. $3,900 \times 35\% = \$1,365$ **market value**
 $\$ 0$ **taxable value**

A lease / rental item (that does not meet all of the criteria and is therefore taxable) was acquired in 2001 for \$3,900. $3,900 \times 35\% = \$1,365$ **market value**
 $1,365 \times 3\% = \$ 41$ **taxable value**

Original Cost \$5,001 – 15,000

A lease / rental item (that meets all of the criteria and is therefore exempt) was acquired in 1994 for \$14,300. $14,300 \times 26\% = \$3,718$ **market value**
 $\$ 0$ **taxable value**

A lease / rental item (that does not meet all of the criteria and is therefore taxable) was acquired in 1994 for \$14,300. $14,300 \times 26\% = \$3,718$ **market value**
 $3,718 \times 3\% = \$ 112$ **taxable value**

LEASED AND RENTAL PROPERTY DEPRECIATION CHART

This schedule is to be used from January 1, 2009, through December 31, 2009, (reference ARM 42.21.113). The depreciation percentage to be used is determined by the year the equipment was acquired.

| Year Acquired | Original Cost \$0 - 500 Lease / Rental Table 6 class 8 | Original Cost \$501 – 1,500 Lease / Rental Table 7 class 8 | Original Cost \$1,501 – 5,000 Lease / Rental Table 8 class 8 |
|--------------------------|---|---|---|
| | Trended % Good | Trended % Good | Trended % Good |
| 2008 | 70% | 85% | 92% |
| 2007 | 38% | 71% | 86% |
| 2006 | 16% | 53% | 80% |
| 2005 | 8% | 35% | 73% |
| 2004 | 8% | 21% | 65% |
| 2003 | 8% | 21% | 56% |
| 2002 | 8% | 21% | 45% |
| 2001 | 8% | 21% | 35% |
| 2000 | 8% | 21% | 28% |
| 1999 and older | 8% | 21% | 24% |

| Year Acquired | Original Cost \$5,001 – 15,000 Lease / Rental Table 11 class 8 | Rental Video Tapes & DVD's Lease / Rental Table 9 class 8 |
|----------------------|---|--|
| | Trended % Good | Trended % Good |
| 2009 | 80% | |
| 2008 | 65% | 25% |
| 2007 | 63% | 15% |
| 2006 | 56% | 10% |
| 2005 | 50% | |
| 2004 | 44% | |
| 2003 | 40% | |
| 2002 | 37% | |
| 2001 | 35% | |
| 2000 | 32% | |
| 1999 | 28% | |
| 1998 | 29% | |
| 1997 | 29% | |
| 1996 | 29% | |
| 1995 | 26% | |
| 1994 | 26% | |
| 1993 | 24% | |
| 1992 | 23% | |
| 1991 | 22% | |
| 1990 and older | 22% | |